

# How South Africa can best balance control of Covid-19 and avoid economic disaster

By [Miriam Altman](#)

28 May 2020

There is intense pressure on the South African government to lift the lockdown and open the economy. Sustainably lifting out of the lockdown is critical. But there is no roadmap. The stakes are high and there are no right answers, just ones that juggle uncertain probabilities.



Keeping the economy open may be hard if the virus spreads uncontrollably. Shutterstock

[Diminishing growth](#) over the past decade has weakened industry and slowed job creation, while state capture damaged state capacity. [Unemployment](#) is extremely high, there is [extensive poverty](#) and the country has [the highest rates of inequality](#) in the world. Efforts to get the economy moving have been thrown off course by the global Covid-19 pandemic.

There is little doubt that a better balance between health and economic imperatives must be found. This will require a different way of thinking about – and prioritising – these twin imperatives.

The emphasis in managing the pandemic should now shift from a centrally regulated approach that controls activity to one that is enabling of participation and compliance in health solutions by communities, workers and businesses. Since behavioural change under difficult circumstances is required, this enabling approach is a necessary foundation for reducing risk in opening the economy.

President Cyril Ramaphosa's [announcement](#) that most of country will open up to a [Level 3](#) by 1 June is consistent with this approach. This will allow economic activity to operate, with a few exceptions, as long as they are done in a way that complies with health protocols.

There is a catch. It may be hard to keep the economy open if the virus spreads uncontrollably.

Yet, an economic lockdown is necessarily and extensively damaging. [Four scenarios](#) identify the possible range of damage.

## Scenarios

Scenario 1 and 2 show what could happen if locking down is a primary strategy for controlling the virus and is in place (even if on and off) for about six months. This would be needed if strategies are not put in place to manage risk of the virus spreading.

In 2020/1, GDP falls by 15% to 20% and employment falls by 2.5-million to 3.2-million. By 2023, 0.9-million to 1.8-million jobs are permanently lost. There is a weak rebound and the economy stagnates. Without any income, many firms scale back, retrench or even shut down. The state loses significant tax revenue and cannot pay off loans and also meet growing social and economic demands.

Scenario 3 and 4 both see 65 days of lockdown, and then a progressive opening up. In 2020/1, GDP falls by 10% and 1.6-million jobs are lost.

There is a stronger economic rebound since fewer firms shut down and fewer workers are retrenched. By 2023, there is a significant shortfall in tax revenue but the state is able to begin charting a way back to financial health. Scenario 3 interventions are relatively successful in supporting firms through the pandemic, but not laying a foundation for future growth. In this scenario, the economy returns to pre-Covid-19 stagnation and is just shy of 2019 employment levels.

In Scenario 4, the state introduces important structural reforms. There is a great effort invested in building professionalised state capacity. This, in turn, creates more certainty for investments that drive growth and employment. Progress is made on investment in independent power producers and related activities like battery storage, infrastructure spending (especially in housing, public building refurbishment and maintenance, supplier industries and public transport systems), and agro-processing and associated exports. Digital migration takes place and spectrum is released. Broadband access is made more affordable and government services go online, saving significant costs for low income households. In this scenario, GDP starts to edge up and employment levels are increasing by about 200,000 a year. This is not enough, but it indicates a possible pathway to growth.

These four scenarios hinge on three top priorities that deserve most of the country's attention to ensure that the return to work is sustained and employment protected.

## Three priorities

The three priorities will remain so throughout the management of the pandemic, no matter how the coronavirus or our understanding of policy responses evolve.

The first priority is to craft and implement [risk-adjusted strategies](#) that act like dynamic early warning systems and virus containment measures. In April, Ramaphosa said these strategies would be relied on when opening the economy. They mean that the country adjusts its strategies in response to emerging risks. [Risk-adjusted strategies](#) are a combination of systems that enable:

- effective collection and provision of information,

- testing that offers results within 24 hours,
- finding and contacting 80% of an infected person's contacts,
- isolating those who are infected or who are at risk, all combined with
- physical distancing, widespread wearing of masks and disinfection.

They should be within the country's immediate capability to implement, set up to be flexible and adaptable to learning and feedback. Everyone should be aware of and using them.

The second priority is to engage far more deeply with communities to identify strategies that can be sustained in a variety of living conditions. The [World Health Organisation \(2020\) guidelines](#) are clear about the necessity of community engagement.

It is simply impossible to sustain such significant behavioural change in the adherence to difficult health protocols without guidance of communities in respect of design and implementation. The lockdown was workable in the well-to-do suburbs. This was not the case in dense urban townships and informal settlements. Many houses share water taps and toilets. Some do not have sufficient access to potable water. Adherence to measures that push up information and behaviour that is compliant with physical distancing, mask-wearing and disinfection requires that people understand why they are important and that the measures are designed to be sustainably and realistically implemented.

Neither a lockdown nor an economic opening will be successful if the first two priorities are not meaningfully implemented. The design and implementation of these elements should dominate Covid-19 response work. They are among the only tools we will have to manage the virus spread and restore economic activity.

And they are among the only Covid-19 expenditures that are long term investments. Ventilators, personal protective equipment or field hospitals are specifically needed for the pandemic. In contrast, the strengthening of information systems, laboratory capacity, contact tracing and community engagement will be instrumental in managing other issues into the future, from tuberculosis to community safety.

The third priority is to sustain economic activity and ensure economic capacity is not unnecessarily lost.

The fastest route back to economic activity, charted in a way that enables physical distancing, will always be the best one. It is always better to generate revenue, in companies and through tax, than it is to save companies or borrow for the shortfall.

Success in opening up will depend on the effective implementation of health and safety protocols. Firms will need substantial support and guidance to comply with new ways of working. Compliance monitoring will have to be significantly ramped up.

The economic rebound will be stronger, the fuller and faster business support is delivered to slow down retrenchment and closures. At the moment, it is reaching too few firms and too few workers. It will still be needed even as the economy reopens.

Informal traders could thrive in this period. Let them operate subject to health guidelines, support their supply chains and get them online.

Finally, those losing their jobs due to the lockdown should be actively channelled back into work opportunities, so that they don't join the long-term unemployed.

Attending to these three priorities will give South Africa a chance of pulling through to a sustainable future.

*This article is based on a fuller paper [available here](#).*

This article is republished from [The Conversation](#) under a Creative Commons license. Read the [original article](#).

## ABOUT THE AUTHOR

Miriam Altman, professor of 4IR practice, School of Economics, *University of Johannesburg*

For more, visit: <https://www.bizcommunity.com>